IN THE

Supreme Court of the United States

October Term, 1955

No. 191

AMERICAN MARKING CORPORATION, a corporation, and JOHN K. JACKSON,

Petitioners,

vs.

ADOLPH GOTTSCHO, INC., a corporation,

Respondent.

PETITIONERS' REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

I.

Preliminary Statement

The Argument in the Respondent's Brief in Opposition to the Petition for a Writ of Certiorari confines itself to the Respondent's Contention that the Petition should be dismissed for want of a Federal question. Accordingly this Reply Brief will similarly be confined to the same point, it being Petitioners' contention that the question as to whether the issuance of a patent constitutes a public disclosure so as to terminate a pre-existing cause of action predicated on the use of secrets disclosed by said patents, is a federal question.

II.

ARGUMENT

A federal question is involved and a writ of certiorari should be issued.

Respondent contending that there is no question of patent litigation involved states that "patents are only remotely and incidentally involved" (Brief, p. 3). The action instituted by the Respondent in the Superior Court of New Jersey sought injunctive and other relief against these Petitioners. The complaint alleged that Petitioner Jackson had learned the Respondent's trade secrets while in its employ and that these Petitioners were improperly using them. One of the defenses set up by these Petitioners to the cause of action of the Respondent was that the issuance of a patent constituted a public disclosure which defeated this Respondent's cause of action. A defense which if upheld would eliminate a cause of action can hardly be considered a remote and incidental matter. Quite to the contrary it is a basic thing which inherently goes directly to the heart of the cause of action brought by this Respondent in the Superior Court of New Jersey. If this defense is upheld then this Respondent's cause of action must fall. Therefore, the validity of the defense is a basic matter in controversy and not an incidental one.

The Respondent has stated further that this case involves unfair competition stemming from Petitioners' appropriation of Respondent's trade secrets and that this is solely a matter of state law. The defense as referred to above is based upon a construction of patent law. Specifically we are concerned with the effect of the issuance of a patent. Patents are issued under federal law and the effect of the issuance thereof is a matter of construction of a federal statute despite the contention of Respondent to the contrary.

It is well established law, and the Respondent agrees therewith, that cases arising under the patent laws are exclusively within the jurisdiction of the federal courts (Brief, p. 4).

We refer the court to 40 *Am. Jur., Patents,* section 169, p. 652, which reads as follows:

Section 169 Jurisdiction and Venue.

"The Federal Judicial Code provides that 'the jurisdiction vested in the courts of the United States in the cases and proceedings hereinafter mentioned shall be exclusive of the courts of the several states, * * * of all cases arising under the patent right, or copyright laws of the United States.' Under that act and prior statutes in similar terms, it is well settled that a state court has no jurisdiction of a case arising under the patent laws. Only a federal court may pass directly upon the question of infringement, the construction of the patent laws, or the validity of a patent."

The Respondent has cited *Wilson* v. *Sandford,* 51 U. S. 99 wherein this Court refused to take jurisdiction, in an action brought to set aside an assignment of a patent, on the ground that the dispute did not arise under any action of Congress nor did the decision depend upon the construction of any law in relation to patents. The Respondent cited other cases all of which sought relief in respect of a contract permitting use of a patent, wherein it was held that such suits are not suits under the patent laws of the United States and cannot be maintained in a federal court (Brief, p. 9).

It is submitted that all of these cases are inapplicable. It is obvious that those cases depend upon contractual rights and they are basically contract cases. The mere fact that patents constitute the subject matter of the contracts does not make these cases patent cases and accordingly they were not held to be within the jurisdiction of the federal

courts. The instant matter is clearly differentiated from those cases for we are not concerned with any contractual rights. The Petitioners' defense rests solely upon construction of patent law which is very definitely a federal question.

At page 10 of Respondent's brief there is cited the case of *Franke* v. *Wiltscheck*, 209 F. 2d 493 (1953) and the Respondent presents certain arguments in connection therewith. It should be noted that the Respondent is arguing the merits as to the effect of an expired patent and not the basic issue involved which is whether there is a federal question involved in this matter. The case cited by Respondent is a federal case decided by the second circuit and, as has been noted in the Petition, there is a divergence of opinion among the several circuits. It would serve no purpose to cite once again the cases which appear on pages 13 and 14 of the Petition. Because of this conflict of opinion among the several circuits this Petition has been filed for the purpose of having this Court render a decision which will decide the question and will insure the uniform administration of justice in the field of patent litigation.

The very question involved is dealt with in 167 A. L. R. 1145 wherein is discussed jurisdiction in actions involving patents and the question of suits founded on the wrongful use of confidential knowledge where a patent has issued after the institution of suit, and the effect thereof. We quote therefrom at p. 1145:

> "c. *Suits founded on the wrongful use of confidential knowledge.*
>
> 2. *Where a patent has been issued.*
>
> If the plaintiff has been granted a patent the case may be considered one of mere infringement and a state court may refuse to take jurisdiction unless contractual rights are declared on. In a case where the plaintiff had obtained a patent after bringing his suit, the court refused to entertain it further. A salesman

employed by the plaintiff to sell a device had, as incidental to his employment, obtained knowledge of the secret principle upon which the device was based. It was admitted that the court might enjoin him from making the device while the plaintiff's application for a patent was pending; but the court held that upon the plaintiff's obtaining the patent during the proceeding the issue became one as to infringement, and the court would not entertain jurisdiction." *Kelly Mfg. Co.* v. *Brower,* (1925), 1 Tenn. App. 428.

III.

CONCLUSION

By reason of the foregoing it is respectfully submitted that a federal question is involved in the instant matter and that a writ of certiorari should be issued by this Honorable Court.

Respectfully submitted,

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